

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CUMBERLAND VALLEY)	
RURAL ELECTRIC COOPERATIVE CORPOR-)	
ATION FOR A CERTIFICATE OF CONVEN-)	
IENCE AND NECESSITY TO CONSTRUCT)	
ADDITIONAL LINES AND FACILITIES)	CASE NO. 89-290
AND TO EXECUTE ITS NOTE TO NATIONAL)	
RURAL UTILITIES COOPERATIVE FINANCE)	
CORPORATION IN THE AMOUNT OF)	
\$1,320,619)	

O R D E R

Cumberland Valley Rural Electric Cooperative Corporation ("Cumberland Valley") filed its application on October 4, 1989 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow funds, and to execute notes to secure such loan. These improvements and additions, more specifically described in the application, are estimated to cost \$4,270,339 and will be financed by a loan of \$2,989,000 from the Rural Electrification Administration ("REA") and loan of \$1,320,619¹ from the National Rural Utilities Cooperative Finance Corporation ("CFC").

On December 6, 1989, the Commission issued an Interim Order granting Cumberland Valley a Certificate of Public Convenience and

¹ The borrowing from CFC includes the purchase of capital term certificates, in an amount equal to 3 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates.

Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA or CFC had yet agreed to make them. On March 20, 1990, Cumberland Valley filed a copy of correspondence received from REA approving its loan; notice of CFC approval was filed April 25, 1990.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Cumberland Valley, is necessary and appropriate for and consistent with the proper performance by Cumberland Valley of its service to the public, and will not impair its ability to perform that service.

2. Cumberland Valley is capable of executing its notes as security for the loan as stated herein.

3. Cumberland Valley should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Cumberland Valley should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Cumberland Valley's application.

6. Cumberland Valley should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency do not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Cumberland Valley's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Cumberland Valley be and it hereby is authorized to borrow \$1,320,619 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Cumberland Valley, at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

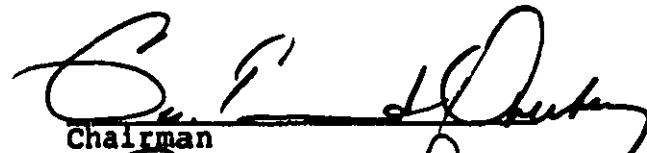
2. Cumberland Valley be and it hereby is authorized to execute its notes as security for the loan herein authorized.

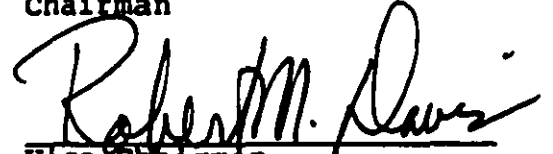
3. Cumberland Valley shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 8th day of May, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner